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MISSION

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING January 1, 2003 AND ENDING December 31, 2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Higgins Capital Management, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2223 Avenida De La Playa, Suite 210

(No. and Street)

La JollaCalifornia92037

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT:

Raymond L. Higgins800-716-6510

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

George Brenner, CPA A Professional Corporation

(Name - if individual, state last, first, middle name)

10680 W. Pico Boulevard, Suite 260Los Angeles, California90064

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

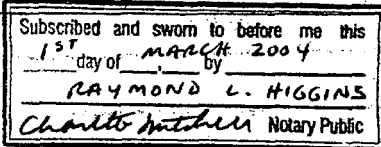
**PROCESSED****MAR 31 2004****FOR OFFICIAL USE ONLY****THOMSON  
FINANCIAL**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, Raymond L. Higgins, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Higgins Capital Management, Inc., as of December 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



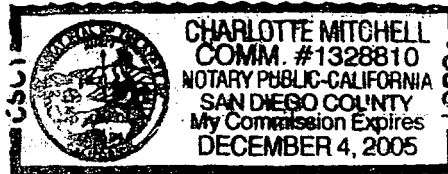
[Signature]  
Signature

CEO

Title

Charlotte Mitchell

Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - DECEMBER 31, 2003

HIGGINS CAPITAL MANAGEMENT, INC.

2223 AVENIDA DE LA PLAYA, SUITE 210

LA JOLLA, CALIFORNIA 92037

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**George Brenner, CPA**  
A Professional Corporation  
10680 W. PICO BOULEVARD, SUITE 260  
LOS ANGELES, CALIFORNIA 90064  
310/202-6445 – Fax 310/202-6494

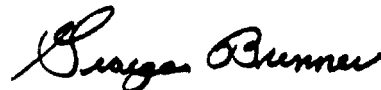
REPORT OF INDEPENDENT AUDITOR

Board of Directors  
Higgins Capital Management, Inc.  
La Jolla, California

I have audited the accompanying statement of financial condition of Higgins Capital Management, Inc., as of December 31, 2003 and related statements of operations, cash flows, and changes in stockholders' equity for the year then ended. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of Higgins Capital Management, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of Higgins Capital Management, Inc. as of December 31, 2003 and the results of its operations and cash flows for the year then ended in conformity with the accounting principles generally accepted in the United States of America.



George Brenner, C.P.A.

Los Angeles, California  
February 19, 2004

HIGGINS CAPITAL MANAGEMENT, INC.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2003

ASSETS

Cash in Bank	\$ 68,488
Commissions Receivable	59,258
Clearing Broker's Deposit	52,622
Securities	2,835
Automobile, net of depreciation \$14,860	12,454
Deposits - Lease	1,630
Demand Note - Stockholders	<u>47,500</u>
Total Assets	<u>\$244,787</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities	
Accounts Payable	\$ 5,534
Income Tax Payable	855
Pension Fund - Payable	<u>50,500</u>
Total Liabilities	<u>56,889</u>

Stockholders' Equity

Common Stock - Authorized 1,000,000 Shares; issued and outstanding 10,000 shares at a stated value of \$1.00 per share	\$10,000
Paid-in-Capital	17,875
Retained Earnings	<u>160,023</u>
Total Stockholders' Equity	<u>\$187,898</u>
Total Liabilities and Stockholders' Equity	<u>\$244,787</u>

See Accompanying Notes to the Financial Statements

HIGGINS CAPITAL MANAGEMENT, INC.  
STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2003

Revenue:	
Commissions	\$ 503,691
Realized Losses	( 3,362)
Interest	2,281
Other	<u>170</u>
	<u>502,780</u>
 Pension Plan	 50,500
 Operating Expenses (Schedule Page 11)	 <u>409,707</u>
	<u>460,207</u>
 Profit Before Income Taxes	 42,573
 Taxes on Income	 <u>14,293</u>
 Net Profit	 <u>\$ 28,280</u>

See Accompanying Notes to the Financial Statements

HIGGINS CAPITAL MANAGEMENT, INC.  
STATEMENT OF STOCKHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2003

	Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Stockholders' Equity
Balance January 1, 2003	10,000	\$10,000	\$17,875	\$131,743	\$159,618
Net Income				<u>28,280</u>	<u>28,280</u>
Balance Due December 31, 2003	<u>10,000</u>	<u>\$10,000</u>	<u>\$17,875</u>	<u>\$160,023</u>	<u>\$187,898</u>

See Accompanying Notes to the Financial Statements



HIGGINS CAPITAL MANAGEMENT, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2003

Cash Flows from Operations:	
Net Income	\$ 28,280
Add: Depreciation Expense	<u>5,073</u>
	33,353
Clearing Broker's Deposit	( 31,233)
Commissions Receivable	5,884
Accounts Payable	( 70)
Accrued Income Taxes	( 2,115)
Pension Payable	25,500
Securities	( 2,835)
Accounts Receivable	<u>5,114</u>
Cash Flows from Operations	<u>33,598</u>
Acquisition Activities	--
Investing Activities	
Demand Note Receivable	( 2,500)
Total Investing Activities	<u>( 2,500)</u>
Decrease in Cash	31,098
Cash in Bank, beginning	<u>37,390</u>
Cash in Bank, ending	<u>68,488</u>
Supplemental Data:	
Interest Paid	\$ <u>--</u>
Income Taxes Paid	<u>\$ 12,915</u>

See Accompanying Notes to the Financial Statements

HIGGINS CAPITAL MANAGEMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 1 - PRESENTATION

Higgins Capital Management, Inc., the Company, was incorporated June 24, 1996 and approved as a broker-dealer by the NASD on February 18, 1997.

NOTE 2 - NATURE OF BUSINESS

The Company is registered under SEC Rule 15c3-3(k)(2)(ii) which provides that all the funds and securities belonging to the Company's customers are handled by a correspondent broker-dealer. The Company has a clearing agreement with Western Securities Clearing Corp. The Company's deposits with Bear Stearns are as follows:

Securities	\$ 2,835
Cash	<u>52,622</u>
	<u>\$55,457</u>

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Commission Revenue is recognized on a "Settlement Date Basis." Securities are valued at market.

NOTE 4 - NET CAPITAL REQUIREMENT

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum of net capital as defined under such provisions. See page 8 for the computation of net capital.

At December 31, 2003, the Company had a net capital of \$125,819 and a net capital requirement of \$25,000. The Company's percentage of aggregate indebtedness to net capital was 33%.

HIGGINS CAPITAL MANAGEMENT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 5 - OFF BALANCE - SHEET RISK

As discussed in Note 2, the customers' securities transactions are introduced on a fully-disclosed basis with its clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customers' transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that a customer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker/dealer.

NOTE 6 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 7 - INCOME TAXES

The Company files its income tax returns on the cash basis. The provision for taxes is comprised as follows:

Federal	\$ 8,193
State	800
Prior Year's	<u>5,300</u>
Under Accrual	<u>\$14,293</u>

NOTE 8 - CONTINGENCY

The Company's lease expires March 31, 2004. Future lease payments are:

2004	\$ 6,000
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The Company is in the process of negotiating a new lease at the same location.

HIGGINS CAPITAL MANAGEMENT, INC.  
COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT  
TO RULE 15c3-1

DECEMBER 31, 2003

COMPUTATION OF NET CAPITAL

Total stockholders' equity from statement of financial condition	\$ 187,898
Less: Haircuts	( 495)
Less: Excludable Assets - Page 9	<u>( 61,584)</u>
NET CAPITAL	<u>\$ 125,819</u>

COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net capital required 6-2/3 of total liabilities	<u>\$ 3,812</u>
Minimum dollar net capital required	<u>\$ 25,000</u>
Net Capital required greater of above amounts	<u>\$ 25,000</u>
EXCESS CAPITAL	<u>\$100,819</u>
Excess net capital at 1000% (net capital) less 10% of aggregate indebtedness	<u>\$120,130</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities (from Statement of Financial Condition)	<u>\$ 56,889</u>
Percentage of aggregate indebtedness to net capital	33%
Percentage of debt to equity to total Computed in accordance with Rule 15c3-1(d)	N/A

See Accompanying Notes to Financial Statements

HIGGINS CAPITAL MANAGEMENT, INC.  
COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT  
TO RULE 15c3-1

DECEMBER 31, 2003

SCHEDULE FOR EXCLUDABLE ASSETS

Automobile	\$ 12,454
Deposit - Lease	1,630
Demand Note - Receivable	<u>47,500</u>
	<u>\$ 61,584</u>

RECONCILIATION

The following is a reconciliation, as of December 31, 2003 of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4).

Unaudited	\$ 178,498
Pension Plan Adjustment	( 50,500)
Income tax Adjustment	( 885)
Mark to Market	( 1,290)
Rounding	<u>( 4)</u>
Audited	<u>\$ 125,819</u>

See Accompanying Notes to the Financial Statements

**George Brenner, CPA**  
A Professional Corporation  
10680 W. PICO BOULEVARD, SUITE 260  
LOS ANGELES, CALIFORNIA 90064  
310/202-6445 – Fax 310/202-6494

**INDEPENDENT AUDITOR'S REPORT  
ON THE SCHEDULE OF OPERATING EXPENSES**

Board of Directors  
Higgins Capital Management, Inc.  
La Jolla, California

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The attached schedule of operating expenses for the year ended December 31, 2003 is presented for purposes of additional information and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "George Brenner". The signature is written in a cursive, flowing style.

George Brenner, CPA

Los Angeles, California  
February 19, 2004

HIGGINS CAPITAL MANAGEMENT, INC.  
SCHEDULE OF OPERATING EXPENSES  
YEAR ENDED DECEMBER 31, 2003

Automobile	\$ 25,462
Depreciation	5,073
Dues and Subscriptions	543
Equipment Lease	17,116
Insurance	45,781
Interest Expense	9
Legal & Professional	5,161
Licenses and Fees	3,850
Marketing	17,574
Medical Pay Plan	8,595
NASD Expenses	910
Office Expense	18,157
Payroll Expenses	216,948
Professional Fees	855
Rent	22,501
Telecommunications	13,158
Travel and Entertainment	<u>8,014</u>
Total Operating Expenses	<u>\$409,707</u>

See Accompanying Notes to the Financial Statements

PART II

HIGGINS CAPITAL MANAGEMENT, INC.

STATEMENT OF INTERNAL CONTROL

DECEMBER 31, 2003



**George Brenner, CPA**  
**A Professional Corporation**  
**10680 W. PICO BOULEVARD, SUITE 260**  
**LOS ANGELES, CALIFORNIA 90064**  
**310/202-6445 – Fax 310/202-6494**

REPORT OF INDEPENDENT ACCOUNT  
ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC Rule 17a-5

To the Board of Directors  
Higgins Capital Management, Inc.  
La Jolla, California

In planning and performing my audit of the financial statements of Higgins Capital Management, Inc. for the year ended December 31, 2003, I have considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practice and procedures (including tests of compliance with such practices and procedures) followed by the Company that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the company: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (2) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System; or (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

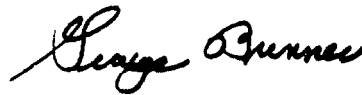
The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use of disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relationship to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the accounting system and control procedures that I consider to be material weaknesses as defined above. In addition, the Company was in compliance with the exemptive provisions of Rule 15c3-3 as of December 31, 2003 and no facts came to my attention indicating that such conditions had not been complied with during the year then ended.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate at December 31, 2003 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the national Association of Securities Dealers, Inc., and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purpose.

A handwritten signature in black ink, appearing to read "George Brenner".

George Brenner, CPA

Los Angeles, California  
February 19, 2004